

Name - Suyash Agnihotri

Sector Project 1: Technology

(Porter's Five Forces Analysis)

- **Bargaining Power of Buyers:**

This broadly refers to the extent buyers are able to put pressure on the company, which is broadly a factor of the customer's ability to react to price changes. In the Technology or the IT sector, the bargaining power of buyers is very large and due to this, they can easily have great pressure on the company regarding the existing prices and rates.

An industry with the high bargaining power of buyers is one where buyers have the ability to choose from a variety of products offered by multiple companies. This sector has great exposure of both Indian as well as International players which have given the customer the power to choose and hence plays a key role in deciding the prices. We have very big players in this sector. For example, TCS, Wipro, Infosys are not only big players in India but also in the world.

So for this sector, we can say that bargaining power of customers is very high and customer is the most important factor in Technology industry.

- **Bargaining Power of Suppliers:**

This broadly refers to the extent to suppliers are able to put pressure on the company, when charging for the raw materials or products that they give to it. We can say that the Technological sector has less bargaining power of suppliers in comparison to other sectors because there are very few things which can be unique to a supplier as the majority of the traits and products to deliver are highly standardized. The suppliers in space of technology consist of server and computer providers, office space suppliers, software suppliers. One can also deny this view and can state that bargaining power is not low as for example the vendors who supply licensed software, although given bulk licenses in the industry but can still demand a greater price for that.

But in general, we can say that suppliers in this industry have less bargaining power.

- **Rivalry among Existing Competitors:**

As the factor suggests, an industry with high rivalry among existing competitors is one which is characterized by consistent price wars, high degrees of innovation increased marketing attempts, and service improvements. In the technology sector

there is a healthy competition. And this competition is majorly between the giants of this sector. Some of them are TCS, Infosys, Wipro, HCL, Tech Mahindra, L&T Infotech, Tata Elxsi and many more. So there is a race between these companies to grab the deals, capture the market and win more customers.

This competitive nature of the sector plays a great role in growth of the industry. It motivates the companies to come with new and innovative products for customers.

- Threat of Substitutes Products:

A substitute product nearly performs the same function as the industry's product and service but by different means. An industry where the degree of differentiation in products is low is one where the threat of substitutes is higher. In the Technology sector the differentiation is very less. Nearly every company offers the same services/products to their customers which leaves a great room for substitution. The less differentiation leads to new innovations and new products which increases the chances for substitution.

Hence the company always works its best and try to provide new and standard products so that they do not lose any customers.

- Threat of New Entrants:

This simply means that industry where barriers to entry are low. Now this can be viewed in 2 ways.

For Technology sector one can say that the Threat of new Entrants is low as currently there are very limited amount of companies in the industry which are capable to fulfill the requirements of hefty deals like a million dollar deal. Even though there are small companies trying to make it big in the industry, but due to the limitation they can not scale up overnight to handle such big deals. So these Tech giants have created a barrier which makes it difficult to enter the market and take the deals.

Other view is that highly skilled and experienced people from these giants leave the company and then start their own company. With the skills, contact and experience they have they can quickly grow and manage to crack some good deals. One example is of Happiest Minds which was formed by a group of member of employee of Wipro. So both the views are valid and justified. But to sum up one can say that the threat of new entrant is low in technology sector.